

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott
Edward A. Garvey
Marshall Johnson
LeRoy Koppendrayer
Phyllis A. Reha

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Northern Minnesota Utilities'
Annual True-up for CIP Expenses and a
Request for Approval of 1999 Demand-Side
Management (DSM) Financial Incentive, CIP
Tracker Carrying Charges and Revised CCRA
Factors

ISSUE DATE: December 20, 2001

DOCKET NO. G-007/M-00-655

ORDER APPROVING DSM FINANCIAL
INCENTIVE AND CARRYING CHARGES
AND MODIFYING CCRA AND CCRC
RECOVERY

PROCEDURAL HISTORY

On May 30, 2000, Northern Minnesota Utilities, a division of UtiliCorp United Inc., (NMU or the Company) filed its request for approval of its 1999 CIP financial incentive, the carrying charges and CIP expenses included in its tracker account, and for revised Conservation Cost Recovery Adjustment (CCRA) factors.

On July 31, 2000, the Department of Commerce (DOC) filed comments recommending approval with modifications.

On August 9, 2000, NMU filed reply comments disputing the DOC proposal to modify the CIP recovery related to the Interruptible Sales and Transportation (IS and Int. Transportation) classes.

On November 19, 2001, both NMU and the DOC filed comments on their respective positions on the refund of Conservation Cost Recovery Charges (CCRC) for exempt customers.

On November 29, 2001, this matter came before the Commission.

FINDINGS AND CONCLUSIONS

I. NMU's Filing

NMU's filing reported the results of the Company's Demand-Side Management (DSM) financial plan from January 1, 1999 through December 31, 1999, the activity during 1999 in the Company's Conservation Improvement Program (CIP) tracker account, and the proposed Conservation Cost Recovery Adjustment (CCRA) factors that the Company requested to implement on October 1, 2000. The Company requested approval of:

- carrying charges of a negative \$6,204.22 to be added to the December 31, 1999 CIP tracker balance of \$111,128.48;
- a DSM financial incentive of \$88,736.92, which was based on NMU's achieving 172 percent of its goal for its financial incentive;
- revised CCRA factors.

In addition the Company requested a variance of Minn. Rules 7820.3500(k) and 7825.2700, Subp. 1 to allow the Company to combine the CIP adjustment factor with the Purchased Gas Adjustment (PGA) as a single line item on customer's bills.

II. DSM Financial Incentive and Carrying Charges

A. DOC's Position

The DOC confirmed that the DSM financial incentive of \$88,736.92 was correctly calculated. The DOC reviewed NMU's energy savings claims and examined its customized commercial/industrial projects. Based on this review, the DOC concluded that the Company's energy savings claims were reasonable and recommended approval.

The DOC also confirmed the negative \$6,205.42 in carrying charges.

B. Commission Action

The Commission agrees with the DOC that the Company has correctly calculated its DSM financial incentive and its carrying charges and these will be accepted by the Commission.

III. Interruptible Sales and Interruptible Transportation Services CCRA Recovery

A. DOC's Comments

The DOC disagreed with the amount of recovery from ratepayers reported by NMU. The difference between the Company's figures and the DOC figures (\$55.75 for October through December 1999 and \$148.31 for January through September 2000) was attributed to the Company not charging the CCRA factor established for the Company's Interruptible Sales and Interruptible Transportation Services (IS and Int. Transportation) customer classes.¹ The Company did not charge these customers and the DOC argued that the affected customers should be so charged.

¹ See ORDER APPROVING LOST MARGINS, BONUS, AND REVISED CONSERVATION COST RECOVERY ADJUSTMENT FACTORS, Docket No.G007/M-99-735, August 27, 1999.

B. The Company's Reply

NMU argued that its billing system is capable of billing only to the fifth place after the decimal point per Ccf. Though these customers may be liable for some CIP costs they will not pay any CIP costs due to the fact that the CCRA for these customers rounded to five decimal places is zero. The DOC's analysis calculated the CCRA factor for the IS and Int. Transportation classes to reflect six places beyond the decimal. This accounted for the difference. The Company assured the DOC that the amount not collected from these customers would not be transferred to another customer class in a future proceeding and understood that the DOC accepted the Company's reporting.

C. Commission Action

The Commission notes that due to the Company's ability to bill only to the fifth place after the decimal point per Ccf, the Company has not billed the Interruptible Sales and Interruptible Transportation Services customer classes the established CCRA factor.² The Commission is concerned that because these amounts are not collected from the customers they will remain in the tracker account. Since the tracker account balance is the amount allocated to all customer classes in the calculation of the CCRA factors, by not removing the amounts not collected from the IS and Transportation classes, these amounts will, in effect, be transferred to another class in future CCRA proceedings or general rate proceedings.

For this reason, the Commission will direct the Company to remove from the tracker account the amount that would be collected from the IS and Int. Transportation classes if the rate were rounded to six decimal places per mcf. The Company will continue to remove this amount until a final Order is effective in the Company's current rate case.³

IV. CCRA Surcharge

Commission Action

In response to an agreement between the parties, the Commission will keep the CCRA surcharge at the level established in its August 27, 1999 Order in Docket No. G-007/M-99-735, rather than adopting revised CCRA factors at this time, due to a proposal in the Company's current rate case that may eliminate the CCRA.

The opt-out customer (Blandin Paper Company) (Blandin) is part of the IS and Int. Transportation class and it has not paid any CCRA due to the rounding process, discussed above. For this reason, there is no refund due Blandin for CCRA. Further, as of the date of this Order, the CCRA will not be charged to Blandin.

² The Commission established CCRA factors of \$0.000019/Mcf in its ORDER APPROVING LOST MARGINS, BONUS, AND REVISED CONSERVATION COST RECOVERY ADJUSTMENT FACTORS in Docket No. G007/M-99-735, August 27, 1999.

³ Docket No. G-007,011/GR-00-951.

V. Blandin and the Conservation Cost Recovery Charges (CCRC)⁴

A. DOC's Position

The DOC argued that Blandin is currently subject to a flexible rate pursuant to a Commission approved tariff. Under this tariff, the rate can range from \$0.005⁵ per Ccf to \$0.36 per Ccf. The DOC argued that the Company agreed that beginning January 1, 2000, Blandin, an exempt flexible rate customer should be exempt from CIP charges. However, the DOC argued that the flexible rates included CIP costs through CCRC and, that to the extent Blandin was charged CIP costs after January 1, 2000, those CIP costs should be refunded to Blandin.

B. NMU's Position

Blandin Paper Company (Blandin) received an exemption effective January 1, 2000. The effect of this is that NMU was not required to make any CIP-related investment and expenditure with respect to the retail revenues it received from Blandin. In return, Blandin was not required to make any contribution to the cost of NMU's CIP.

The rate charged Blandin by the Company was \$0.16/Mcf through November 2000 and \$0.085 Mcf beginning December 2000.

The Company argued that the \$.085/Mcf rate Blandin began receiving starting in December 2000 was a discounted market-based rate that did not include CCRC or any other CIP related costs. Therefore, a refund was not appropriate. The Company argued that the \$0.085 Mcf rate is a market based rate, not a cost based rate and that NMU calculated this rate to reflect the value of the service, not to recover CIP costs. Had the Company known that it would be required to refund to Blandin an amount representing CCRC, it would have increased the discounted market-based rate by that amount. It argued that If the Company were to be required to make a refund in an amount equal to a CCRC contribution, Blandin would be getting a lower than market rate.

C. Commission Action

Since Blandin became an exempt customer on January 1, 2000, it remained liable for 1999 CIP costs and therefore would be required to continue to pay CIP costs until the 1999 costs were recovered. The 1999 CIP costs were recovered by July 2000. For this reason the Commission will require that Blandin, as an opt out customer, be refunded all CCRC collected by the Company from July 2000 through November 2000.

Effective December 2000, the Commission recognizes that the Company was charging Blandin \$0.085 Mcf as a flexible rate. Given that in UtiliCorp's current rate case, the proposed tariff rate that would apply to Blandin is set at this same amount and does not include CCRC, it is reasonable to conclude that the rate the Company began charging Blandin in December did not include CCRC.

⁴ The CCRC is a CIP-related charge incorporated into the base rate for natural gas.

⁵ Rate stated in NMU tariff sheet. The DOC November 19, 2001 filing indicated \$0.05.

Under these circumstances, if Blandin received a refund and a bill credit for the CCRC then the customer would be paying less than the proposed tariffed market based rate. However, if the customer did not receive a bill credit, this would, in effect, give the Company a rate increase outside of a rate case. The Commission, in order to avoid either of these situations, will order that Blandin not receive a refund of, nor a bill credit for, the CCRC paid starting December 2000 until the Company's rate case is resolved; however, the Commission will require the Company to record the CCRC⁶ for the volumes billed to Blandin, beginning December 2000, in the CIP tracker account until the final rates in the current rate case are effective.

VI. The Company's Request for a Variance

Minn. Rules, parts 7820.3500(k) and 7825.2700, Subp. 1 require utilities to report the fuel adjustment clause (either Fuel Clause Adjustment [FCA] or Purchased Gas Adjustment [PGA]) as a separate line item on customers' bills. In previous DSM Orders, the Commission has granted utilities a variance from these rules to allow them to combine the CIP adjustment with the FCA or PGA on bills. NMU has asked for such a variance in this case.

The Commission will grant NMU's request for a variance to allow the Company to combine CIP adjustment information with fuel adjustment information on customers' bills. The request fulfills the three criteria for granting a variance under the Commission's rules of practice and procedure, Minn. Rules, part 7829.3200.

First, enforcement of the rule would impose an excessive burden upon the utility and its customers. NMU has for some years combined these factors in billing. Requiring a new entry on bills would be an unnecessary burden for the Company and could in this case add as much confusion as clarity for customers.

Second, granting the variance does not adversely affect the public interest. Combining these related factors will further the public interest by allowing the utility to keep its billing method consistent and clear.

Third, granting the variance does not conflict with any standards imposed by law. The requirement of a separate line item is a creature of Commission rule, not of statute. The Commission has the discretion to vary its rules if the variance meets the Commission's criteria.

ORDER

1. The Commission approves the recovery of a 1999 DSM financial incentive of \$88,736.92, and allows NMU to record that amount in the Company's CIP Tracker Account as of the date of the Commission's Order in the present docket.
2. The Commission approves a negative \$6,204.22 in carrying charges.

⁶ In the amount of \$0.0129/MCF.

3. The Company shall remove from the tracker account the amount that would be collected from the IS and Int. Transportation classes if the rate was rounded to six decimal places per Mcf starting October 1999. This shall continue until the date the Commission's final Order is effective in the current rate case, Docket No. G-007,01/GR-00-951.
4. The CCRA surcharge shall remain at the level established in Docket No. G-007/M-99-735.
5. The CCRA will not be charged to the opt-out customer as of the effective date of the Order in this docket and there is no refund due to the customer related to the CCRA.
6. The Commission approves a variance to Minnesota Rule 7820.3500(k) and 7825.2700, subpart 1, to allow the Company to continue to combine the CCRA surcharge factors with its purchased gas adjustment on customers' bills;
7. All CCRC collected from the opt-out customer after the 1999 costs were collected (July 2000) through November 2000 shall be refunded to the customer; and that effective December 2000 there shall be no refund of the CCRC to the opt-out customer and no bill credit for the CCRC, and that the Company shall continue to post to the CIP tracker account an amount equal to the CCRC for the opt-out customer, i.e. \$0.0129/Mcf times volumes, until final rates are effective in the Company's general rate case.
8. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

This document can be made available in alternative formats (i.e., large print or audio tape) by calling (651) 297-4596 (voice), (651) 297-1200 (TTY), or 1-800-627-3529 (TTY relay service).